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National Intelligence Bulletin

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Top Secret

August 6, 1975

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No 669

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Approved For Release 2006/03/17 : CIA-RDP79T00975A028000010004-6

Approved For Release 2006/03/17 : CIA-RDP79T00975A028000010004-6

National Intelligence Bulletin

August 6, 1975

CONTENTS

PORTUGAL: Top military leaders meet
again to discuss executive power 1

ANGOLA: Fighting spreads
south of Luanda 3

SOUTH AFRICA - RHODESIA: Withdrawal
of South African police 4

[REDACTED] 25X1

SOUTH VIETNAM: Food
shortages expected 6

PERU-CHILE: Tension mounts over
Bolivian access to the sea 9

[REDACTED] 25X1

EGYPT: Helicopter lift
capabilities improved 12

ISRAEL: New defense
group established 13

IRAN-ISRAEL: Tehran pressing
Tel Aviv to be more flexible 14

[REDACTED] 25X1

FOR THE RECORD 16

[REDACTED] 25X1

National Intelligence Bulletin

August 6, 1975

PORTUGAL

Violence continued yesterday in northern Portugal as the country's top military leaders, including President Costa Gomes, Prime Minister Goncalves, and security chief Carvalho, met again in Lisbon to discuss the division of executive power.



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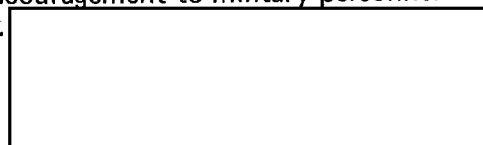
Yesterday, Goncalves met briefly with some members of his former cabinet, apparently to give the appearance that the country's affairs are being administered by a caretaker government. Top civilian party leaders such as Socialist Party head Mario Soares and Communist Party leader Alvaro Cunhal were excluded.

In northern Portugal, hundreds of demonstrators sacked offices and apartments of known Communist Party members in Famalicao, where two demonstrators were shot to death Monday. A crowd of some 3,000 burned Communist Party headquarters in nearby Santo Terso. Similar anti-Communist violence has been reported in several other areas. A northern police spokesman said that the people are mobilizing in many villages to "finish off the Communists."

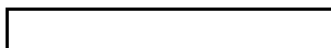
The visiting military governor of the Azores, General Magalhaes, who has strong family ties in the north, has told US military attaches that there is a strong separatist movement in northern Portugal. The movement, according to Magalhaes, may soon begin inciting the people to "rise up" against the central government.

A bomb exploded yesterday in Lisbon outside a government office. Operatives of the rightist Portuguese Liberation Army operating out of Spain reportedly were responsible for similar incidents several weeks ago.

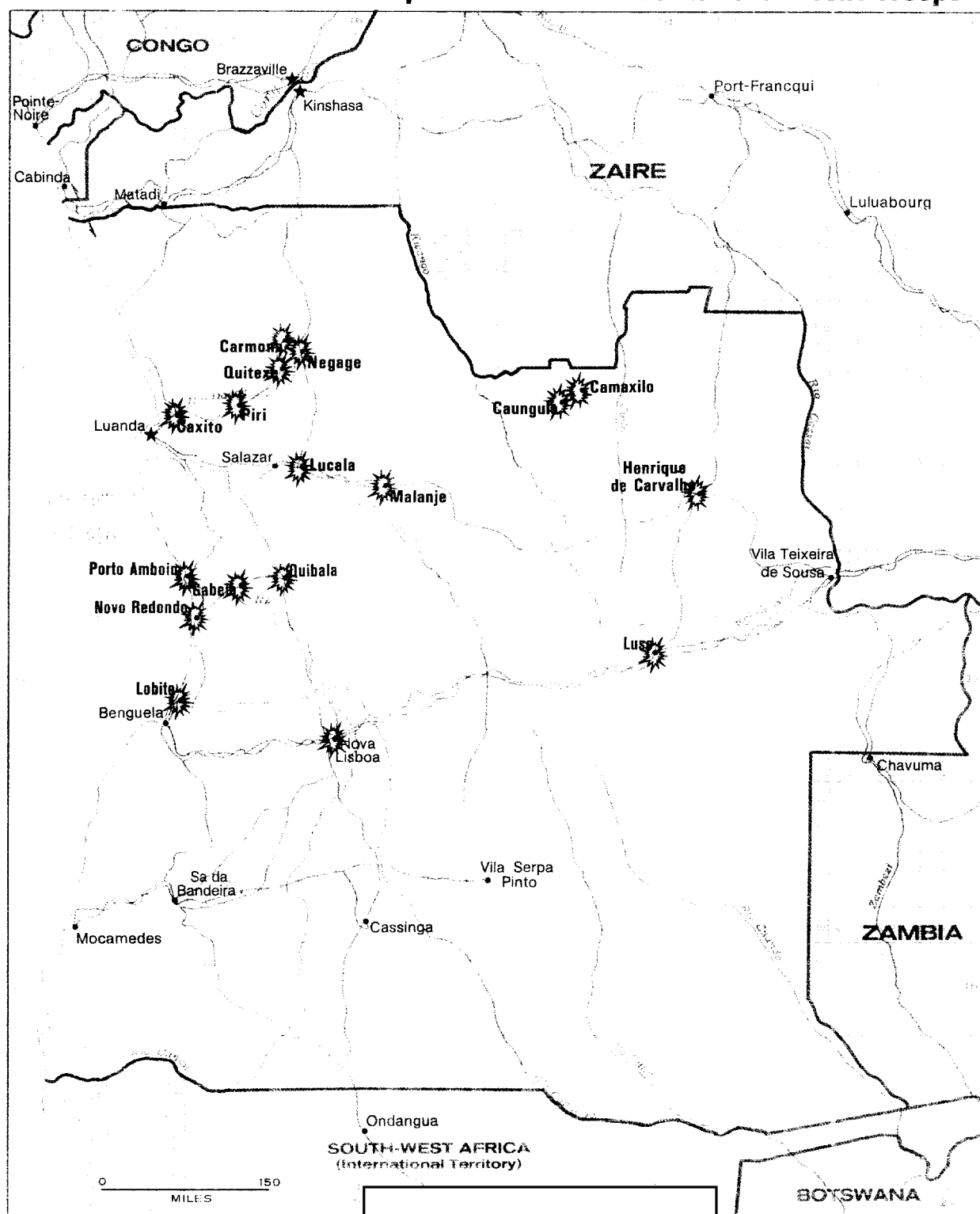
Communist efforts to infiltrate and control key military units also suffered a reversal yesterday. Last week, they appeared to have succeeded in ousting a conservative commander, Colonel Neves, and his supporters from the Amadora Commando Regiment, outside of Lisbon. After an official investigation, however, Neves and his men were reinstated and court-martial proceedings were ordered for the Communist instigators. The Amadora decision should not only reinforce flagging military discipline, but also give badly needed encouragement to military personnel who oppose Communist infiltration of their units.



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ANGOLA Clashes Between Popular Movement and National Front Troops

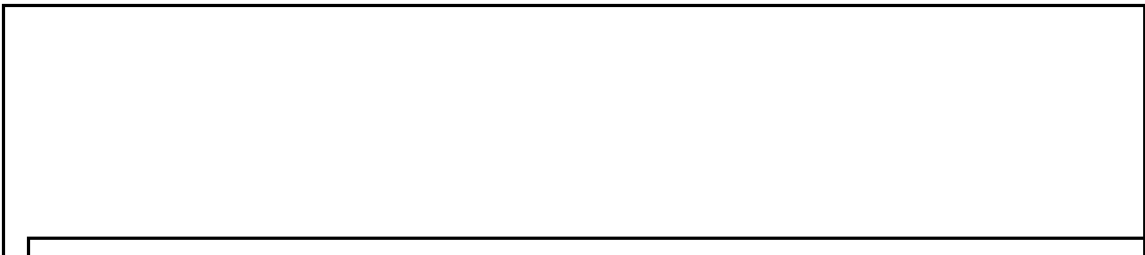
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National Intelligence BulletinAugust 6, 1975

ANGOLA

Fighting between the Popular Movement for the Liberation of Angola and the National Front for the Liberation of Angola has spread south of Luanda. The fighting appears to be on a relatively modest scale, but could escalate at any time. Traditional tribal ties in the area to a third independence movement, the National Union for the Total Independence of Angola, may draw the National Union into the conflict.

The National Union has the smallest military force of Angola's liberation groups. It has remained neutral in the fighting between its stronger rivals, although it has been forced to defend itself against a number of small-scale attacks by the Popular Movement over the past few months.



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Meanwhile, the Portuguese military delegation that visited Luanda last weekend has returned to Lisbon, leaving behind considerable speculation but no hard evidence of what policy recommendations it will make to Lisbon. Many Portuguese military officials in Lisbon and Luanda sympathize with the Popular Movement and are probably urging in private that the territory be turned over to it. Such a decision, however, would be tantamount to inviting full-scale war throughout Angola.

The Popular Movement and the National Front appear to be awaiting new political signals from Lisbon. For the time being, they seem content to string out their war of attrition and wait for Lisbon to make the next move.

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National Intelligence Bulletin

August 6, 1975

SOUTH AFRICA - RHODESIA

The South African government's public acknowledgement on August 1 that all its police forces in Rhodesia are being withdrawn seems intended to underscore Prime Minister Vorster's impatience with Rhodesian Prime Minister Ian Smith's refusal to begin settlement negotiations with the black Rhodesian nationalists.

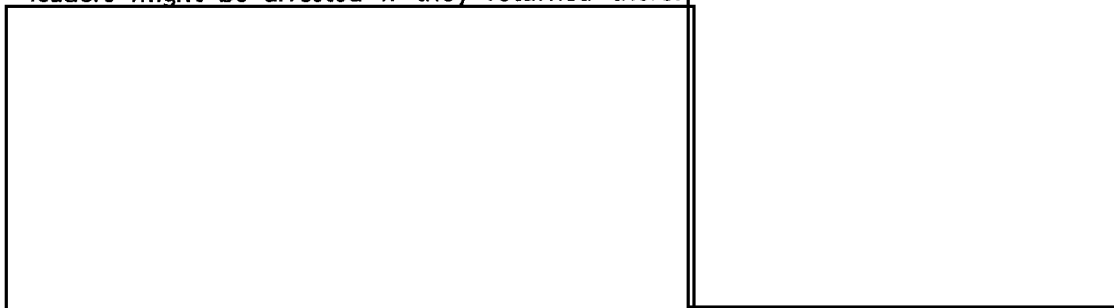
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South African police had participated actively in Rhodesian counterinsurgency operations until last December, when a truce with black insurgents was arranged by Prime Minister Vorster and four black African presidents. Rhodesian whites are outnumbered by more than 20 to 1, and the shortage of white manpower limits further expansion of the security forces.

Without the South African police, the Rhodesian security forces will be hard pressed if the black nationalists carry out their threat to resume guerrilla warfare unless Smith agrees by October to a settlement conference. The black nationalists insist that the conference take place outside Rhodesia, because several of their exiled leaders might be arrested if they returned there.

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Vorster apparently has now come to believe that leaving even a small police contingent in Rhodesia has encouraged Smith to evade meaningful negotiations with the black nationalists.

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National Intelligence Bulletin

August 6, 1975

SOUTH VIETNAM

Communist officials apparently are preparing the Vietnamese people for possible food shortages later this year and next. Recent propaganda broadcasts have stressed that "famine," caused by the old capitalist-oriented agricultural system, "will continue to wreak a disastrous impact for a long time to come as it cannot be overcome immediately."

Rice stocks are probably large enough to last until the next harvest this autumn. Localized shortages are occurring in urban areas and in the traditional rice-deficit provinces north of Saigon. These reflect distribution problems rather than a shortage of rice.

Rice output this autumn, however, will be lower than last year's record crop of 7 million tons. Many peasants fled their farms during the turmoil of the communist take-over in April. The profit-oriented production and marketing system of the past has been upset, and previous incentives for growing large surpluses may not have been maintained. Moreover, farmers are confronted by reduced supplies of fertilizers, fuel, machinery, and spare parts—all of which must be imported and most of which were previously financed by foreign aid.

The communists will have to use traditional growing methods such as standard rice varieties and draft animals, but they hope to compensate partially for production shortfalls by expanding farm acreage and increasing rural labor. The end of the war will permit the eventual cultivation of up to a million hectares of farmland that was formerly insecure or in need of rudimentary clearing and irrigation.

The dissolution of the South Vietnamese army and cutbacks in urban employment opportunities have freed labor for farming. The communists have been sponsoring population movement out of the cities with offers of free land, transport, seeds, and tools. Since April, several hundred thousand people have reportedly been resettled.

The communists have thus far avoided a rush to collectivize the agricultural sector. They probably recognize that such a move would disrupt production even more. Instead, communal farming has been introduced only in previously settled communist areas, refugee resettlements, and on newly opened farmlands provided to urban emigrants.

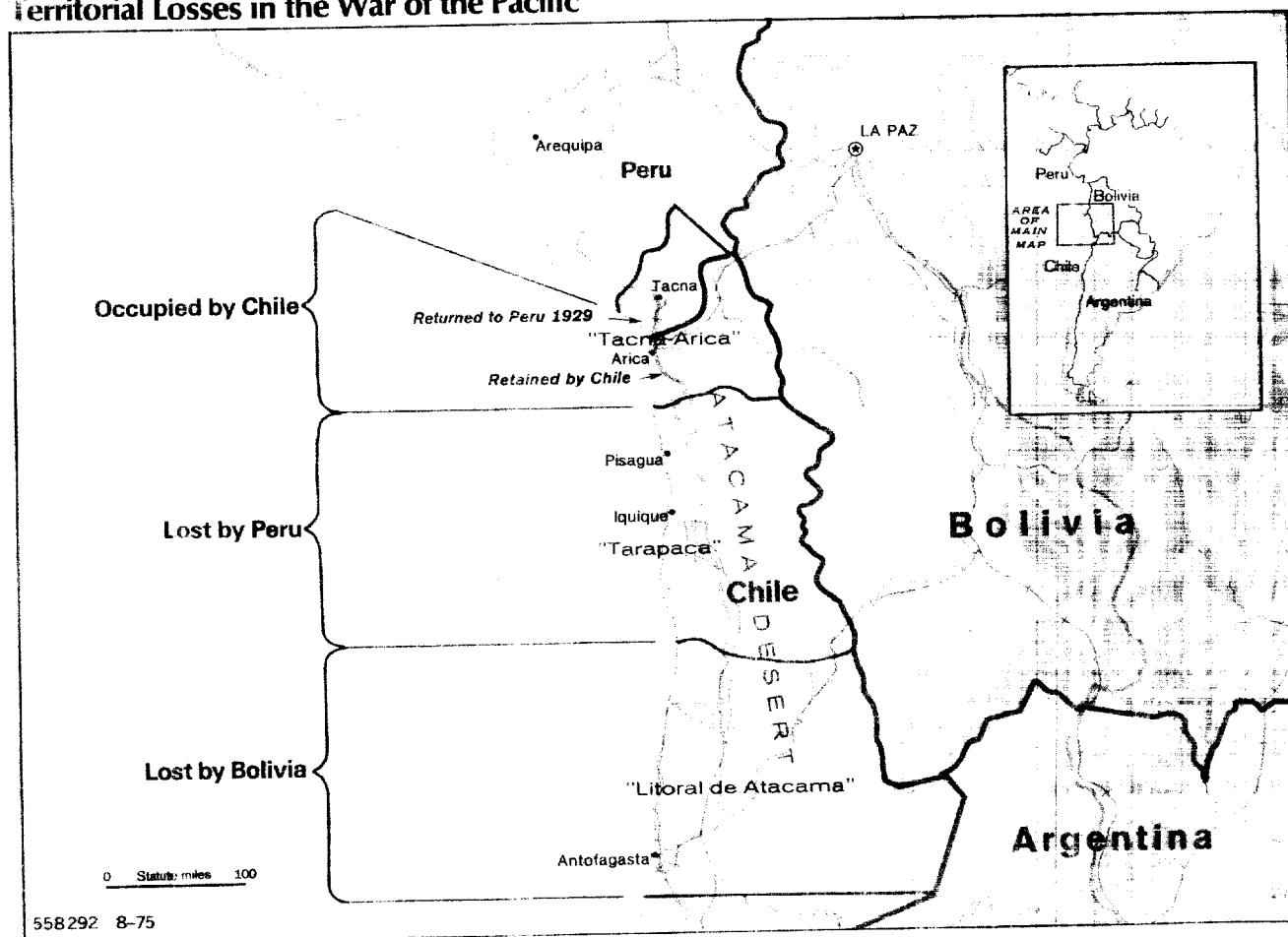
National Intelligence BulletinAugust 6, 1975

These efforts are unlikely to offset expected production declines. Gains in rice output over the last decade, which averaged about 5 percent annually, resulted largely from new growing methods, such as planting high-yielding rice varieties, and extensive use of chemicals and machines. The change in agricultural practices under the communists will undercut previous gains and make longer term growth more difficult.

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Territorial Losses in the War of the Pacific



National Intelligence Bulletin

August 6, 1975

PERU-CHILE

Concern in Peru that Chile is prepared to give Bolivia some form of access to the sea through Chilean territory that formerly belonged to Peru is likely to set off a round of intense diplomatic maneuvering as officials from all three countries meet in La Paz today to celebrate Bolivia's independence day.

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The most accessible Bolivian outlet to the sea would have to pass through the territory Peru lost to Chile in the War of the Pacific (1879-83). A protocol to a 1929 treaty between Peru and Chile prohibits Chile from ceding any of this territory to a third party without Peru's consent. Although Santiago almost certainly does not intend any outright cession, a move to give Bolivia greater control over territory in this area would put Peruvian leaders on the spot.

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An announcement from Lima that Peru is prepared to discuss Bolivia's access problem would put Chile on the defensive, but it could establish a framework for constructive tripartite negotiations. If, on the other hand, the Chileans make a point of offering Bolivia more than Peru can accept, tension between the two countries will mount even further.

We have seen no recent activity that indicates either side is preparing aggressive action in the immediate future. Both Chile and Peru, however, are continuing efforts to strengthen their military postures in the border area, and each remains suspicious of the other's intentions.

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National Intelligence Bulletin

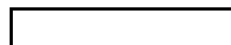
August 6, 1975

EGYPT

Egyptian heliborne operations conducted at multibattalion or perhaps brigade level will probably play an important role in any future Arab-Israeli conflict.

By the end of 1975, the air force will have more than 125 helicopters, including over 75 MI-8 Hips and 21 Westland Commandos. With these assets, Egypt could land about 3,500 commandos in a single lift. The army has some 15,500 personnel who could conduct heliborne operations. Interceptor cover could be provided by MIG-21 Fishbeds and possibly MIG-23 Floggers.

In view of Israel's highly effective air defense and ground combat forces, aircraft and personnel losses in such operations could be heavy. Nevertheless, potential benefits from limited tactical successes and the psychological effects on both sides of such attacks might be sufficient to persuade Egyptian commanders to accept high losses.

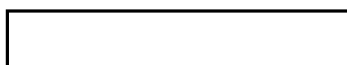


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National Intelligence Bulletin

August 6, 1975

ISRAEL

A joint General Staff - Defense Ministry planning group has been established to provide strategic and political planning for both the Defense Ministry and the Israel Defense Forces (IDF) General Staff. It places the General Staff's existing planning branch under joint control.

The defense minister will now have an efficient tool for national security policy planning and will be less dependent on the chief of staff for important inputs. In the past, the defense minister had to depend on special advisers for long-range strategic and political planning.

The decision to form the new group was approved by Chief of Staff General Gur at a meeting between senior IDF officers and Ministry of Defense officials. Gur's two immediate predecessors were opposed to forming such a body. They probably believed such a move would reduce the military's influence in forming defense policy and increase the prospects for direct political influence in defense force affairs.

The joint planning group is headed by Major General Tamir, who has directed the planning branch since its inception following the October 1973 war. The planning branch has been responsible for strategic plans and long-range defense forces organization and structure, as well as for assessments of possible terms for a second Sinai disengagement agreement.

Although the Defense Ministry appears to be the primary beneficiary of this organizational change, all cabinet-level decision-makers should be better served. The group is expected to receive Defense Ministry personnel and should be more capable of addressing the broader aspects of Israel's security problem.

25X1

National Intelligence Bulletin

August 6, 1975

IRAN-ISRAEL

Tehran is pressing Tel Aviv to adopt a more flexible position on Arab-Israeli questions.

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[REDACTED] the Iranian press gave front-page coverage to a US journalist's interview with the Shah. The Shah accused Israel of delaying tactics that could lead to the replacement of Sadat by an extremist regime, commented that Tel Aviv is committing a "grave blunder" in relying on occupied Arab territories for its security, and referred to the occupation as an "extremely unethical issue," which the US should not defend.

The Iranian foreign minister raised fears in Tel Aviv when he went along with the Arab resolution at the Islamic conference in Jidda in July advocating Israel's suspension from the UN. Iranian diplomats have since begun to vacillate on whether Tehran will go along with anti-Israeli motions in the UN or will abstain.

The Shah's real leverage over Israel is oil; Iran now supplies approximately 30 percent of Israel's daily domestic requirements. The implicit threat behind the Shah's increasingly tough talk is that he will cut the flow. The Shah has said repeatedly, however, that the sale of Iranian oil is not determined by politics; he probably is not ready to abandon this policy.

The Shah's tactics are not likely to cause Tel Aviv to re-evaluate its position on Middle East peace negotiations. They will, however, heighten Israel's apprehensions concerning Iran's reliability as a major supplier of oil and will make Tel Aviv even more determined to nail down a firm commitment from Washington guaranteeing its oil requirements before it agrees to return the Abu Rudays oilfields to Egypt under the terms of another Sinai agreement.

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National Intelligence Bulletin

August 6, 1975

FOR THE RECORD

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ISRAEL: According to the US defense attache in Tel Aviv, the Gabriel II surface-to-surface missile has apparently now been accepted for installation on Saar-class missile boats. The units reportedly will receive the weapon within six months. The Gabriel II's 22-nm range is almost twice that of its highly successful predecessor, the Gabriel I, and should provide the already formidable Israeli missile boats with significantly improved striking power. The navy will apparently place a mixture of Gabriel Is and IIs on Saar IVs, while the smaller Saar IIs and IIIs will receive only the later version. Mixing of the two systems will allow the cheaper Gabriel I to be used to attack targets at closer ranges. The navy expects to obtain the US-built Harpoon eventually and may mix all three systems on its larger missile boats.

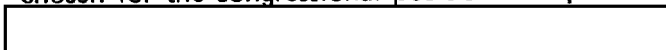
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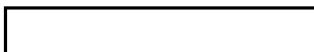
ARGENTINA: Despite announcements that President Maria Estela Peron was to have begun a week's vacation, she made a well-publicized return to the presidential office on August 4. Her reappearance at work seemed designed to demonstrate that she still has a firm hold on the presidency, although she has, in fact, virtually relinquished effective power. The business of government has fallen increasingly to three members of the cabinet who may be working to keep Peron in the public eye to divert attention from their handling of day-to-day problems. The retention of Peron as figurehead also suggests that acceptable arrangements for a successor remain elusive, even though a respected Peronist politician was recently chosen for the congressional position that places him next in the line of succession.

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